

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Arcadia Township	County Manistee
Fiscal Year End 03/31/2006	Opinion Date August 7, 2007	Date Audit Report Submitted to State September 28, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Wilson, Ward CPA Firm		Telephone Number 231-276-7668	
Street Address PO Box 205		City Interlochen	State MI
Zip 49643			
Authorizing CPA Signature 		Printed Name David E Wilson	
		License Number 1101013769	

ARCADIA TOWNSHIP ARCADIA, MICHIGAN

Audit Report

For Year Ended
March 31, 2007

Wilson, Ward CPA Firm
PO Box 205
Interlochen, MI 49643
(231) 276-7668

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3015 M-137

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August 7, 2007

Arcadia Township Supervisor
Arcadia, Michigan

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Arcadia Township. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Arcadia Township are listed in Note 1. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into Arcadia Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Arcadia Township that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The information was made available timely and in an organized manner by the clerk and treasurer. Once again, the atmosphere is very conducive to excellent internal control with a very positive attitude toward improvement.

COMMENT: Significant improvements in internal controls have been made during the year. It is imperative that monitoring of the marina be continued.

RECOMMENDATION: Continued improvement is always desired.

Again, it is important to remember that this report is for information only and provided to management with the sole intent that it can be evaluated with the potential to improve management practices within the township. Thank you for the excellent condition of the records as well as the opportunity to work with Arcadia Township.

Sincerely,

A handwritten signature in blue ink that reads "Wilson, Ward CPA Firm". The signature is written in a cursive, flowing style.

Wilson, Ward CPA Firm

ARCADIA TOWNSHIP
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INTRODUCTORY SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
COMBINED REPORT APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORT BASED
ON AN AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER
COMPLIANCE

Arcadia Township
Arcadia, Michigan

We have audited the financial statements of Arcadia Township as of and for the year ended March 31, 2007, and have issued our report thereon dated August 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Arcadia Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arcadia Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Arcadia Township's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Finding Spec-1 Lack of segregation of duties

Criteria: All agencies who are of sufficient size, should maintain controls over certain areas which require a segregation of certain duties such as tax collections.

Condition: The size of the organization and the nature of the state law places all of the responsibility for personal property tax collection on one person. Therefore, there is little or no segregation of duties with regard to personal property tax collection.

Cause: This is inherent in the assignment of duties according to the Michigan State Accounting Manual, Chapter 7, in that the Treasurer is responsible for personal property tax collection.

Effect: As a result of this condition, the organization lacks internal controls for proper tax collection.

View of Responsible Officials	The organization reviewed the need for enhanced internal control over tax collection and has instituted additional procedures to allow for review of collections to be made by the clerk.
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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. However, we did not consider any of the significant deficiencies described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arcadia Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Arcadia Township in a separate letter dated August 7, 2007.

Arcadia Township's response to the findings identified in our audit are described above. We did not audit Arcadia Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, others within the organization and the Township Board and is not intended to be and should not be used by anyone other than these specified parties.

Wilson, Ward CPA Firm

Interlochen, MI
August 7, 2007

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Arcadia Township, Michigan

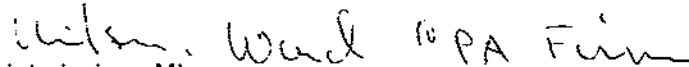
We have audited the accompanying statement of net assets, activities, each major fund, and the aggregate remaining fund information of Arcadia Township as of and for the year March 31, 2007, which collectively comprise Arcadia Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Arcadia Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Arcadia Township as of March 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 2007 on our consideration of Arcadia Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Interlochen, MI
August 7, 2007

Arcadia Township

Management Discussion and Analysis

This discussion and analysis provides an overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights:

- The Township's net assets changed slightly with a 3.6 percent decrease attributed to depreciation and debt reduction.
- Business-type activity revenues increased slightly less than the significant increase in expenditures.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how the taxpayer's resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report the Township's operations in more detail than the Government-Wide Financial Statements by providing information about the Township's most significant funds. The Fiduciary Fund Statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *special revenue funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

The *capital projects funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas where the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Proprietary fund types include -

The *enterprise funds* use the full accrual basis for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Township as a Whole:

The following table shows a comparison of current and previous year net assets:

Assets	2006	2007
Cash	508,803	403,717
Other Current Assets	27,692	27,692
Capital Assets Net	<u>2,130,789</u>	<u>2,099,208</u>
Total Assets	2,667,284	2,530,617
Liabilities and Net Assets		
Liabilities	66,387	50,791
Net Assets	<u>2,600,898</u>	<u>2,479,827</u>
Total Liabilities and Net Assets	2,667,284	2,530,617

The Township's combined net assets decreased 3.6% from a year ago - decreasing from \$2,600,897 to \$2,479,827. We can see that the net assets of the governmental activities decreased by approximately \$68,823 and net assets of business-type activities decreased by approximately \$24,588.

Governmental Activities:

	2006	2007
Revenues		
Taxes	178,009	152,585
State Grants	43,441	43,705
Interest and Rental	5,760	16,834
Charges for Services	111,764	119,158
Other	<u>72,196</u>	<u>104,262</u>
Total Revenue	411,170	436,544
Expenditure	386,184	529,955
Transfers	<u>0</u>	<u>0</u>
Excess Revenue	24,986	(93,411)

The Township's real governmental revenues decreased by approximately \$25,424. This decrease, which represents 14 percent, was primarily due to a drop in general property taxes.

These activities expenses increased by \$143,760, or 37 percent, and were due in part to a large interest payoff of long-term debt.

Business Type Activities:

The Township's business-type activities consist of the Marina Fund. Overall revenues for this fund increased 6.6% since 2006.

Expenditures for this activities increased by 12.7% over 2006.

	Marina
Operating Revenue	119,158
Depreciation	31,582
Operating Income (Loss)	(19,166)

The Township's Funds:

Our analysis of the Township's major funds begins in the supplemental data following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities such as special property tax millages.

The General Fund pays for most of the Township's governmental services. The amount transferred from the General Fund for Fire Services is supported by an operational budget approved by the Township Board and included the use of reserve funds.

General Fund Budgetary Highlights:

Over the course of the year the Township Board was able to maintain the township departments within their prescribed budgets.

Capital Asset and Debt Administration:

Capital Assets

The Township made no major capital improvements in 2007. Total net assets were slightly reduced with the first year depreciation on the Greilickville Water System.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Land	1,840,519	0	0
Buildings	293,427	0	293,427
Equipment	<u>408,622</u>	<u>17,500</u>	<u>408,122</u>
Total General Fixed Assets	2,542,568	76,987	702,049
Proprietary Funds			
Buildings and Imp	285,828	9,144	156,049
Equipment	88,955	11,154	46,338
Marina	2,017,834	86,820	981,256
Water Systems	1,031,362	60,636	635,983
Sewer System	<u>3,626,334</u>	<u>94,132</u>	<u>1,688,977</u>
	7,050,313	261,886	3,462,265

Debt

The Township acquired no additional debt in 2006. Changes in the long-term debt are schedules below:

Loans Payable	Beginning Balance	Additions	Retirements	Ending Balance
Marina	67,259		44,160	23,099

Economic Factors and Next Year's Budgets and Rates:

Arcadia Township's 2007 budget calls for the allocated millage. With this millage we are able to fund the majority of fire services and general services including recreational parks. There are additional voted millages to supplement fire operations.

General Overview of the Accomplishments of Arcadia Township in the 2006 Fiscal Year:

The Township finances have been managed very closely in 2006. This is reflected in a slight increase of the General Fund balance. The Township is in a very healthy state as a whole.

Contacting the Township's Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 889-4752.

ARCADIA TOWNSHIP
Government Wide Statement of Net Assets
As of March 31, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & Investments	\$376,346	\$27,371	\$403,717
Accounts Receivable - Taxes	7,959		7,959
Accounts Receivable	0		0
Due From other Funds	19,733		19,733
Net Assets	1,840,519	258,689	2,099,208
Total Assets	2,244,557	286,060	2,530,617
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	0		0
Deferred Taxes Receivable	7,959		7,959
Due To other Funds	2,702	17,031	19,733
Note Payable	0	23,099	23,099
Total Liabilities	10,661	40,130	50,791
Fund Equity			
Fund Balance - Unreserved	2,233,896	245,931	2,479,827
Total Fund Equity	2,233,896	245,931	2,479,827
Total Liabilities and Fund Balance	\$2,244,557	\$286,060	\$2,530,617

ARCADIA TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Legislative	\$3,965	\$0	\$0	\$0	(\$3,965)		(\$3,965)
General government	334,112	0			(334,112)		(334,112)
Public safety	41,202				(41,202)		(41,202)
Public works	307				(307)		(307)
Health and Welfare	0				0		0
Community and Economic Development	0				0		0
Recreation and Culture	6,085				(6,085)		(6,085)
Depreciation	0				0		0
Interest on Long Term Debt	0				0		0
Total Governmental Activities	385,671	0	0	0	(385,671)	0	(385,671)
Business Type Activities							
Enterprise Funds	144,284	119,158				(25,126)	(25,126)
Total Primary Government	529,955	119,158	0	0	(385,671)	(25,126)	(410,797)

General revenues:
Taxes

Property Taxes-general	152,585		152,585
Property Taxes-debt service	0		0
State-Shared Revenues	43,705		43,705
Unrestricted Investment Earnings	16,296	538	16,834
Franchise taxes	0		0
Contributions	0		0
Miscellaneous	104,262		104,262
Transfers	0	0	0
Total General Revenues-Special Items and Transfers	316,848	538	317,386
Changes in Net Assets	(68,823)	(24,588)	(93,411)
Prior Period Adjustment	0	(27,659)	(27,659)
Net Assets - Beginning	2,302,719	298,178	2,600,897
Net Assets - Ending	\$2,233,896	\$245,931	\$2,479,827

Net Income Per Governmental Balance Sheet	(\$68,823)
Net Transfer Per Governmental Statement of Rev/Exp	0
Less Depreciation	0
Net Income Per Statement of Activities	(\$68,823)

THE FOOTNOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

ARCADIA TOWNSHIP
Governmental Funds Balance Sheet
As of March 31, 2007

	Governmental Fund Types		
	General	Non Major Funds	Total (Memo Only)
Assets			
Cash & Investments	\$188,281	\$188,065	\$376,346
Accounts Receivable taxes	7,959	0	7,959
Accounts Receivable	0	0	0
Due from Other Funds	19,733	0	19,733
Prepaid Insurance	0	0	0
Buildings & Improvements	0	0	0
Machinery & Equipment	0	0	0
Total Assets	<u>215,973</u>	<u>188,065</u>	<u>404,038</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	0	0	0
Retirement Payable	0	0	0
Deferred Taxes Receivable	7,959	0	7,959
Due to Other Funds/Agencies	0	2,702	2,702
Note Payable	0	0	0
Total Liabilities	<u>7,959</u>	<u>2,702</u>	<u>10,661</u>
Fund Equity			
Fund Balance - Unreserved	<u>208,014</u>	<u>185,363</u>	<u>393,377</u>
Total Fund Equity	<u>208,014</u>	<u>185,363</u>	<u>393,377</u>
Total Liabilities and Fund Balance	<u>\$215,973</u>	<u>\$188,065</u>	<u>\$404,038</u>
Fund Balance Per All Government Funds			\$393,377
Add Net Assets			<u>1,840,519</u>
Fund Balance Per Balance Sheet			<u>\$2,233,896</u>

ARCADIA TOWNSHIP
 Combined Statement of Revenues, Expenditures and Changes in Fund Balance
 All Governmental Fund Types
 For the Year Ended March 31, 2007

	<u>Governmental Fund Types</u>		
	General Fund	Non Major Funds	Total (Memo Only)
<u>Revenues</u>			
Taxes	\$89,549	\$63,036	\$152,585
Admin Fees	958	0	958
Licenses	0	0	0
State Grants	42,371	1,334	43,705
Charges for Services	0	0	0
Interest & Rentals	10,148	6,148	16,296
Other Revenues	12,246	91,058	103,304
Total Revenues	155,272	161,576	316,848
<u>Expenditures</u>			
Current			
Legislative	3,965	0	3,965
General Government	159,072	9,917	168,989
Public Safety	3,792	37,410	41,202
Public Works	0	307	307
Other	50,883	120,325	171,208
Total Expenditures	217,712	167,959	385,671
Excess Revenue (Expenditures)	(62,440)	(6,383)	(68,823)
Fund Balance - Beginning of Year	270,454	191,746	462,200
Transfers in / (Out)	0	0	0
Fund Balance - End of Year	\$208,014	\$185,363	\$393,377

ARCADIA TOWNSHIP, MANISTEE COUNTY
BALANCE SHEET
PROPRIETARY FUND
MARCH 31, 2007

	Marina Enterprise	Total
ASSETS		
Cash and Cash Equivalents	\$27,371	\$27,371
Accounts Receivable	0	0
Due from Other Funds	0	0
Property and Equipment	0	0
Property, Plant and Equipment Net of Accum. Dep.	485,053	485,053
Inventories	0	0
Other Assets	0	0
Total Assets	<u>512,424</u>	<u>512,424</u>
LIABILITIES & FUND EQUITY		
Accounts Payable	0	0
Due to Other Funds	17,031	17,031
Other Current Liabilities	0	0
Notes Payable	23,099	23,099
Deferred Revenue	0	0
Total Liabilities	40,129	40,129
Fund Equity		
Contributed Capital	226,364	226,364
Retained Earnings	245,931	245,931
Total Fund Equity	472,295	472,295
Total Liabilities & Fund Equity	<u>\$512,424</u>	<u>\$512,424</u>

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF REVENUES, EXPENSES & CHANGES IN
RETAINED EARNINGS
PROPRIETARY FUND
MARCH 31, 2007

	Marina Enterprise	Total
OPERATING REVENUES		
Charges for Services	\$119,158	\$119,158
State Grant	0	0
Other Revenue	0	0
Total Operating Revenue	119,158	119,158
OPERATING EXPENSES		
Wages and Fringes	13,402	13,402
Contractual Services	5,000	5,000
Material and Supplies	55,773	55,773
Equipment Repair and Maintenance	7,711	7,711
Utilities	5,914	5,914
Casualty and Liability Costs	2,219	2,219
Other	16,723	16,723
Total Operating Expenses	106,742	106,742
OPERATING INCOME (LOSS)	12,416	12,416
Depreciation	31,582	31,582
Net Operating Income	(19,166)	(19,166)
NON-OPERATING REVENUES (EXPENSES)		
Interest Income	538	538
Interest Expense	(5,960)	(5,960)
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Operating Transfers Out	0	0
Total Other Financing Sources (Uses)	0	0
NET INCOME (LOSS)	(24,588)	(24,588)
RETAINED EARNINGS, BEGINNING	298,178	298,178
PRIOR PERIOD ADJUSTMENTS	(27,659)	(27,659)
RETAINED EARNINGS, ENDING	\$245,931	\$245,931

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2007

	Marina Enterprise	Total
Cash Flow From Operating Activities		
Cash Received from Customers	\$119,158	\$119,158
State Grant	0	0
Transfer for Administrative	0	0
Cash Payments to Employees for Services and Benefits	(13,402)	(13,402)
Cash Payments to Suppliers for Services and Benefits	(93,340)	(93,340)
Net Cash Provided by Operating Activities	12,416	12,416
Cash Flow from Noncapital Financing Activities		
(Increase) in Due from Other Funds	0	0
(Decrease in Due to Other Funds)	0	0
Net Cash provided by Noncapital Financing Activities	0	0
Cash Flows For Capital and Related Financing Activities		
Capital Improvements	0	0
Principal Payments	(43,256)	(43,256)
Interest on Debt	(5,960)	(5,960)
Net Cash Provided for Capital and Related Financing Activities	(49,216)	(49,216)
Cash Flows From Investing Activities		
Loss On CD Investment	0	0
Interest on Cash Equivalent	538	538
Net Cash Provided by Investing Activities	538	538
Net Increase (Decrease) in Cash and Cash Equivalents	(36,262)	(36,262)
Cash and Cash Equivalents at Beginning of Year	63,633	63,633
Cash and Cash Equivalents at End of Year	27,371	27,371
Reconciliation of Operating income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	(19,166)	(19,166)
Transfer for Administrative Cost	0	0
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities		
Depreciation Expense	31,582	31,582
(Decrease) in Accounts Payable	0	0
Net Cash Provided by Operating Activities	\$12,416	\$12,416

ARCADIA TOWNSHIP-MANISTEE COUNTY

Notes to Financial Statements

March 31, 2007

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Arcadia Township is a general law Township located in Manistee County. The governing body of the Township is the Township board which is composed of the supervisor, the clerk, the treasurer and two trustees. The Township provides the community with fire protection, road maintenance, trash removal, street lighting and other services.

The financial statements of the Township include those of separately administered organizations that are controlled by or dependent on the Township for financial support. Control or dependence is based on such items as budgetary control, taxing authority, appointment of controlling or governing boards, and other criteria as outlined in GASB Statement #14.

No other organizations or governmental entities are considered in this report using these definitions.

B. Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial statements of the Township are presented in a series of self balancing funds.

The accounting policies of Arcadia Township conform to generally accepted accounting principles and include the following fund types

1. Government Fund Types use modified accrual basis and include -

The general funds account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

The special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of each fund.

2. Fiduciary fund types include -

The Trust and Agency Fund is unbudgeted and accounts for activities within those areas where in the Township is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the Township.

3. Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, as amended, the Township has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

C. Basis of Accounting

All governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those which are reasonable to accrue. These are recorded as receivable when measurable and as revenue accrued. Specific types of tax revenue are reported as deferred revenue which are expected to be collected within sixty days. Other delinquent revenue not expected to be recovered within 60 days are reported only in the footnotes. Expenditures are recorded when the liability is incurred, except for interest on long term debt which is recorded as payments are made with an adjustment to account for accrued interest at year end.

D. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by the current reporting standards of measurement focus. Thus all governmental funds are accounted for on a financial flow measurement basis. This means that only current assets and liabilities are presented on the balance sheets and operating statements measure increases and decreases in these net current assets.

E. Budgets

All funds are under formal budgetary control. Budgets shown in the financial statements are prepared on a modified accrual basis and consist of those amounts which are controlled during the formal budget approval process and subsequent amendment by the Township Board. Line items contained within the original budget are appropriated and amended only on a departmental activity basis.

F. Fixed Assets

All fixed assets are recorded in the fixed assets records. This includes all assets which are considered of value to the Township and do not include public domain assets such as roads, sidewalks and drains. The modified accrual basis makes no provision for the depreciation of these assets. However, detailed records are maintained to support Note 8. These assets are valued at historical cost when purchased or Fair Market Value as of the date they have been donated to the Township. These are included in the Statement of Net Assets under GASB 34.

G. Long Term Debt

Marina Loan

On August 2, 1996 the Township obtained a loan in the amount of \$205,030.36 from West Michigan National Bank for the purpose of funding part of the cost of improvements to the Marina. The loan is payable in semi-annual payments of \$10,895.10 including principal and interest at the annual rate of 7.1%. During the fiscal year the note was paid down, and the resultant balance of \$90,000 was refinanced at 3.95% interest rate with monthly payments. The new note has a balloon payment of approximately \$50,400 due in October 2008.

The following is a summary of changes in long-term debt for the Marina Fund as of March 31, 2007:

	Balance 04/01/06	Addition	Deletion	Balance 03/31/07
Installment Purchase Contract				
Building Improvement	\$ 67,259	0	\$44,160	\$ 23,099
Total General Long Term Debt	\$ 67,259	0	\$44,160	\$ 23,099

The annual requirements to pay the principal and interest on the Marina loan are as follows:

Fiscal Year	Principal	Interest	Total
2007-2008	8,587	2,353	10,941
2008-2009	<u>10,407</u>	<u>533</u>	<u>10,940</u>
Total	18,994	3,399	22,393

Additional principal was paid in 2006-2007 fiscal year, therefore the loan should be paid early. The amounts listed above represent the annual required payments.

H. Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 31. Real property taxes are collected by the Township Treasurer through February 28th of each year. Any uncollected real property taxes are returned to be collected by the County Treasurer. Personal property taxes continue to be collected by the Township Treasurer.

The State Equalized Value (SEV) and taxable values are:

	Real Property	Personal Property	Total
SEV	\$ 78,485,600	\$ 3,771,800	\$ 82,257,400
Tax. Value	\$ 41,810,732	\$ 3,771.800	\$ 45,582,532

J. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principals requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - BUDGET APPROPRIATIONS

Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Information on budget categories has been included for information only. The budget appropriation is for department use only and hence is the legally controlling amount. There are items where expenditures were incurred in excess of the amounts appropriated for the activities or functions of the general fund as follows:

	Budget	Actual
Elections	\$ 0	\$ 3,623
Buildings and Grounds	42,000	111,611
Insurance	6,000	9,872

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, states that the Arcadia Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality the United States.
2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
3. In commercial paper rate at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.

4. In United States government or federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

NOTE 4 - TYPES OF DEPOSITS AND INVESTMENTS

The Township had \$178,160 in certificates of deposit with local banks, of which \$100,000 is insured. This would leave balances of cash as follows:

Deposits	Bank	Carrying Value
Insured & Uncollateralized	\$100,000	\$ 100,000
Uninsured	<u>125,557</u>	<u>125,557</u>
Total	\$225,557	\$ 225,557

NOTE 5 - PROPERTY TAXES

As of March 31, 2006 \$6,840 of property taxes were delinquent.

NOTE 6 - INTERFUND ACCOUNTS

There were no inter-fund loans or advances during the audit year. The only interfund activity was the transfer from the trust and agency fund due to tax collections and the interest accumulated which is due to the general fund.

NOTE 7 - INVENTORIES

No material parts or supply inventories are maintained by the Township.

NOTE 8 - FIXED ASSETS

Detailed information concerning the fixed asset accounts is as follows:

	04/01/06 Balance	Additions	Deletions	03/31/07 Balance
Land & Improvements	\$1,840,519	\$0	\$0	\$1,840,519
Buildings	293,427	0	0	293,427
Equipment	<u>408,622</u>	<u>0</u>	<u>0</u>	<u>408,622</u>
Total Fixed Assets	\$2,542,568	\$0	\$0	\$2,542,568
Accumulated Depreciation				
Land & Improvements	\$ 0	\$ 0	\$0	\$ 0
Buildings	293,427	0	0	293,427
Equipment	<u>408,622</u>	<u>0</u>	<u>0</u>	<u>408,622</u>
Total Fixed Assets	\$ 702,049	\$17,500	\$0	\$ 702,049

All fixed assets are based on historical cost for all assets. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Infrastructure	5 to 10 years
Equipment	10 to 30 years
Vehicles	3 to 20 years

NOTE 9 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities on the part of the Township.

NOTE 10 - COMPENSATED ABSENCES

The Township does not compensate for vacation or sick and as such there is no computed liability for compensated absences. The Township does not have a liability for post retirement benefits.

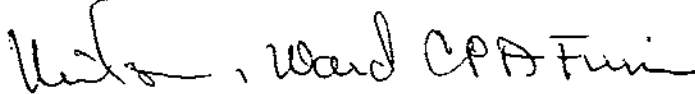
NOTE 11 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime, inland marine, and other risks of loss including worker compensation and accident insurance.

SUPPLEMENTAL DATA SECTION

To the Arcadia Township Board
Arcadia Township
Arcadia, MI

We have audited the combined financial statements of the Arcadia Township for the year ended March 31, 2007. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Interlochen, MI
August 7, 2007

General Fund

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF REVENUES - BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended March 31, 2007

	Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Property Taxes				
Current Property Taxes	\$60,600	\$60,600	\$62,949	\$2,349
Delinquent Property Taxes	0	0	4,156	4,156
Admin Fees	20,200	20,200	22,444	2,244
Total Property Taxes	80,800	80,800	89,549	8,749
Licenses and Permits				
Dog Licenses	0	0	23	23
Land Use Permits	800	800	935	135
Total Licenses and Permits	800	800	958	135
State Aid Revenue				
Revenue Sharing	42,000	42,000	42,371	371
Total State Aid	42,000	42,000	42,371	371
Grants	0	0	0	0
Interest and Rentals				
Interest	1,600	1,600	6,728	5,128
Rentals	0	0	3,420	3,420
Total Interest and Rentals	1,600	1,600	10,148	8,548
Other Revenue				
Other	10,500	10,500	12,246	1,746
Total Other Revenue	10,500	10,500	12,246	1,746
Total Revenue	135,700	135,700	155,272	19,549
Transfers In			0	
Total Revenue and Transfers			<u>\$155,272</u>	

ARCADIA TOWNSHIP, MANISTEE COUNTY
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended March 31, 2007

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Legislative				
Township Board--Trustees	\$5,000	\$5,000	\$3,965	\$1,035
Total Legislative	5,000	5,000	3,965	1,035
General Government				
Supervisor	9,400	9,400	8,299	1,101
Elections	0	0	3,623	(3,623)
Assessor	16,000	16,000	15,028	972
Attorney and Professional Services	5,000	5,000	2,350	2,650
Clerk	10,800	10,800	8,040	2,760
Board of Review	700	700	0	700
Treasurer	11,200	11,200	10,121	1,079
Building and Grounds	42,000	42,000	111,611	(69,611)
Cemetery	0	0	0	0
Total General Government	95,100	95,100	159,072	(63,972)
Public Safety				
Planning	3,000	3,000	1,222	1,778
Zoning	2,500	2,500	2,570	(70)
Total Public Safety	5,500	5,500	3,792	1,708
Recreation and Cultural				
Parks	0	0	0	0
Library	0	0	0	0
Total Recreation and Cultural	0	0	0	0
Other				
Insurance and Bonds	6,000	6,000	9,872	(3,872)
Miscellaneous	35,250	35,250	41,011	(5,761)
Total Other	41,250	41,250	50,883	(9,633)
Capital Outlay				
Land Improvements	0	0	0	0
Land Acquisition	0	0	0	0
Equipment	0	0	0	0
Total Capital Outlay	0	0	0	0
Total Expenditures	146,850	146,850	217,712	(70,862)
Other Financing Uses				
Operating Transfers (Out)				
Street Lights Fund			0	
Street light Fund			0	
Fire Fund			0	
Marina			0	
Total Other Financing Uses			0	
Total Expenditures and Other Financing Uses			\$217,712	

ARCADIA TOWNSHIP, MANISTEE COUNTY
Combining Balance Sheet
All Special Revenue Funds
As of March 31, 2007

	Fire Fund	Liquor Law Enforcement Fund	Flower Fund	Parks and Rec Fund	Historical Commission Fund	Carriage House Fund	Street Lighting Fund	Cemetery Fund	Total
Assets									
Cash	\$78,847	\$1,334	\$3,408	\$863	\$13,046	\$16,738	\$28,837	\$44,992	\$188,064
Deposit	0								0
Due From Other Funds		0							0
Taxes Receivable	0								0
Total Assets	78,847	1,334	3,408	863	13,046	16,738	28,837	44,992	188,065
Liabilities & Fund Equity									
Liabilities									
Accounts Payable	0								0
Due to other funds	2,702								2,702
Total Liabilities	2,702								
Fund Equity									
Fund Balance	76,145	1,334	3,408	863	13,046	16,738	28,837	44,992	185,363
Total Liabilities and Fund Balance	\$78,847	\$1,334	\$3,408	\$863	\$13,046	\$16,738	\$28,837	\$44,992	\$188,065

The footnotes are an integral part of these Financial Statements.

ARCADIA TOWNSHIP, MANISTEE COUNTY
Combining Statement of Revenues, Expenditures & Changes in Fund Balance
Special Revenue Funds
For The Year Ended March 31, 2007

	Fire Fund	Liquor Law Enforcement Fund	Flower Fund	Parks and Rec Fund	Historical Commission Fund	Street Lighting Fund	Cemetery Fund	Carriage House Fund	Total
Revenues									
Taxes	\$52,388					\$10,648			\$63,036
State Aid		1,334							1,334
Interest	4,550				0	212	524	862	6,148
Other	21,450		1,250	0	5,564		30,200	32,594	91,058
Total Revenue	78,388	1,334	1,250	0	5,564	10,860	30,724	33,456	161,576
Expenditures									
General Government							307		307
Public Works						9,917			9,917
Capital Outlay	97,522			0				16,718	114,240
Recreation and Cultural			350	199	5,536				6,085
Public Safety	37,410	0							37,410
Total Expenditures	134,932	0	350	199	5,536	9,917	307	16,718	167,959
Excess Revenue Over (Under)									
Expenditures Before Other									
Financing Sources	(56,544)	1,334	900	(199)	28	943	30,417	16,738	(6,383)
Other Financing Sources									
Operating Transfers In						0			0
Operating Transfers (Out)						0			0
Excess of Revenues and Other									
Sources Over (Under) Expenditures	(56,544)	1,334	900	(199)	28	943	30,417	16,738	(6,383)
Transfers In (Out)	0				0				0
Fund Balance - Beginning of Year	132,689	0	2,508	1,062	13,018	27,894	14,575	0	191,746
Fund Balance - End of Year	\$76,145	\$1,334	\$3,408	\$863	\$13,046	\$28,837	\$44,992	\$16,738	\$185,363

The footnotes are an integral part of these Financial Statements.